UP Aviation Limited

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2017

UP Aviation Limited

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

CONTENTS PAGES

CORPORATE DATA

		Date of appointment	Date of Resignation
DIRECTORS	: GTCS Directors Limited	02-Jun-11	-
	Uttam Danayah	12-Apr-12	-
	Lalit Khulbe	12-Apr-12	27-May-16
	CTC Corporation Ltd.	01-Jul-12	08-Apr-16
	Manish Tripathi	27-May-16	-

ADMINISTRATOR, & CORPORATE SECRETARY	: **GTCS Secretaries Limited** 2nd Floor Elgin Court, Elgin Avenue George Town Grand Cayman KY1-1106 Cayman Islands
REGISTERED OFFICE	: **C/o GTCS Secretaries Limited** 2nd Floor, Elgin Court, Elgin Avenue George Town Grand Cayman KY1-1106 Cayman Islands
AUDITORS	: **Crowe Horwath ATA** *(formerly known as Crowe Horwath (Mur) Co.)* Member Crowe Horwath International 2nd Floor, Ebene Esplanade 24, Bank Street, Cybercity Ebene 72201 Mauritius
BANKER	: **Barclays International** Barclays House Victoria Street Douglas Isle of Man IM99 1AJ

DIRECTORS' REPORT

The directors present their report together with the audited financial statements of **UP Aviation Limited** (the "Company") for the financial year ended 31 March 2017.

PRINCIPAL ACTIVITY

The principal activity of the Company is to acquire, hire and operate an aircraft to be used by senior management members of the parent company.

RESULTS AND DIVIDENDS

The results for the year are shown in the statement of profit or loss and other comprehensive income.

The directors did not declare any dividend during the year under review (2016: USD Nil).

DIRECTORS

The present membership of the Board is set out on page 1. All directors served office throughout the year except for CTC Corporation Ltd having resigned as director on 8 April 2016 and Mr Lalit Khulbe who has resigned on 27 May 2016 and Mr Manish Tripathi who has been appointed as director on 27 May 2016.

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have prepared the financial statements for a special purpose. It represents fairly the financial position, financial performance, changes in equity and cash flows of the Company. In preparing those financial statements, the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, **Crowe Horwath ATA**, have expressed their willingness to continue in office until the next annual meeting.

Crowe Horwath.

Crowe Horwath ATA
Member Crowe Horwath International

2nd Floor, Ebene Esplanade
24, Bank Street, Cybercity
Ebene 72201, Mauritius
Telephone : (230) 467 8684 / 466 2992
Telefax : (230) 467 7478
www.crowehorwath.mu

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF UP Aviation Limited

Opinion

We have audited the special purpose financial statements of **UP Aviation Limited** (the "Company") which comprise the statement of financial position as at 31 March 2017 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended as set out on pages 6 to 9 and a summary of significant accounting policies and other explanatory information as set out on pages 10 to 24.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2017 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (IASs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Mauritius, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Crowe Horwath

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF UP Aviation Limited

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

In forming our opinion, we report as follows:

- We have no relationship with, or any interests in, the Company other than in our capacity as auditors;

- We have obtained all the information and explanations that we required; and

- In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Crowe Horwath

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF UP Aviation Limited

Use of this report

This report is made solely for the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in our auditors' report and for no other purpose. We do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

Crowe Horwath ATA

Crowe Horwath ATA
Public Accountants

Vijay Bohorun, FCCA
Licensed by FRC
Signing Partner

Date: 20 April 2017

Ebene, Mauritius

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

ASSETS	Notes	2017 USD '000	2016 USD '000
Non-current asset			
Aircraft	7	7,232	16,664
Total non-current asset		7,232	16,664
Current assets			
Other receivables	8	6,579	2,493
Cash and cash equivalents		2	1
Total current assets		6,581	2,494
TOTAL ASSETS		13,813	19,158
EQUITY AND LIABILITIES			
Equity			
Stated capital	9	0.001	0.001
Retained earnings		535	3,521
Total equity		535	3,521
Non-current liability			
Borrowings	10	12,036	14,637
Total non-current liability		12,036	14,637
Current liability			
Other payables	11	1,242	1,000
Total current liability		1,242	1,000
Total liabilities		13,278	15,637
TOTAL EQUITY AND LIABILITIES		13,813	19,158

These financial statements have been approved and authorised for issue by the Board of directors on 20 April 2017 and signed on its behalf by:

Uttam Danayah

Manish Tripathi

The notes on pages 10 to 24 form an integral part of these financial statements.
Independent auditors' report on pages 3 to 5.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 USD '000	2016 USD '000
Income	*16*	11,156	8,380
Expenses			
Operational and administrative expenses	*17*	(4,226)	(4,425)
Depreciation	*7*	(1,762)	(2,469)
Total expenses		(5,988)	(6,894)
Profit from operations		5,168	1,486
Impairment of aircraft	*7*	(7,670)	-
Finance costs	*18*	(484)	(582)
(Loss)/profit before taxation		(2,986)	904
Taxation	*12*	-	-
(Loss)/profit for the year		(2,986)	904
Other comprehensive income			
Items that will be reclassified to profit or loss		-	-
Items that will not be reclassified to profit or loss		-	-
Total comprehensive (loss)/income for the year		(2,986)	904

The notes on pages 10 to 24 form an integral part of these financial statements.
Independent auditors' report on pages 3 to 5.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Stated capital USD '000	Retained earnings USD '000	Total equity USD '000
At 1 April 2015	0.001	2,617	2,617
Total comprehensive income for the year	-	904	904
At 31 March 2016	0.001	3,521	3,521
Total comprehensive loss for the year	-	(2,986)	(2,986)
At 31 March 2017	**0.001**	**535**	**535**

The notes on pages 10 to 24 form an integral part of these financial statements.
Independent auditors' report on pages 3 to 5.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	2017 USD '000	2016 USD '000
Cash flows from operating activities		
(Loss)/profit before taxation	(2,986)	904
Adjustments for:		
Impairment of aircraft	7,670	-
Depreciation	1,762	2,469
Interest on loan	483	551
Operating profit before working capital changes	6,929	3,924
(Increase)/decrease in other receivables	(4,086)	1,166
Decrease in other payables	(241)	(342)
Cash generated from operations	2,602	4,748
Interest paid	-	(395)
Net cash from operating activities	2,602	4,353
Cash flows from financing activities		
Net funds repaid to related company	(2,601)	(4,354)
Net cash used in financing activities	(2,601)	(4,354)
Net increase / (decrease) in cash and cash equivalents	1	(1)
Cash and cash equivalents at beginning of the year	1	2
Cash and cash equivalents at end of the year	2	1

The notes on pages 10 to 24 form an integral part of these financial statements.
Independent auditors' report on pages 3 to 5.

1. GENERAL INFORMATION

UP Aviation Limited (the "Company"), was incorporated on 2 June 2011 according to local law in Cayman Islands. The Company's registered office is at 2nd Floor, Elgin Court, Elgin Avenue, George Town, Grand Cayman KY1-1106, Cayman Islands.

The principal activity of the Company is to acquire, hire and operate an aircraft to be used by senior management members of the parent company.

The financial statements of the Company are expressed in United States dollar ("USD"). The Company's functional currency is the USD, the currency of the primary economic environment in which the Company operates.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") and which comprise International Accounting Standards ("IAS") approved by the International Accounting Standards Board (IASB)and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) approved by the International Accounting Standards Committtee (ISAC) that remain in effect.

(b) Basis of preparation

The financial statements have been prepared under the historical cost convention. The historical cost convention is generally based on the fair value of consideration given in exchange assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

(c) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future period affected.

3. CHANGES IN ACCOUNTING STANDARDS AND DISCLOSURES

Adoption of new and revised International Financial Reporting Standards (IFRS)

<u>New and amended standards and interpretations</u>

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 April 2016.

Amendment to IAS 1 Disclosure Initiative

The Company has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

3. CHANGES IN ACCOUNTING STANDARDS AND DISCLOSURES (CONTINUED)

Adoption of new and revised International Financial Reporting Standards (IFRS) (Continued)

New and amended standards and interpretations (Continued)

Amendment to IAS 1 Disclosure Initiative (Continued)

In addition, the amendments clarify that an entity's share of the other comprehensive income in associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Company and should be separated into the share of items that, in accordance with other IFRSs:

(i) will not be reclassified subsequently to profit or loss; and
(ii) will be reclassified subsequently to profit or loss when specific conditions met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The application of these amendments has not resulted in any impact on the financial performance or financial position of the Company.

IFRS 7 Financial Instruments: Disclosures

Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments. These amendments are not expected to have any impact on the Company.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

3. CHANGES IN ACCOUNTING STANDARDS AND DISCLOSURES (CONTINUED)

Adoption of new and revised International Financial Reporting Standards (IFRS) (Continued)

Standards issued but not yet effective

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the now requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

• All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flow, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting period. Debt instrument that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specific dates to cash flows that are solely of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent changes in the fair value of an entity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.

• With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount to the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

• In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

3. CHANGES IN ACCOUNTING STANDARDS AND DISCLOSURES (CONTINUED)

Adoption of new and revised International Financial Reporting Standards (IFRS) (Continued)

Standards issued but not yet effective (Continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-Step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Amendments to IAS 7 Statement of Cash flows - Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) Aircraft

During the year 31 March 2015, the Company acquired an aircraft from BRIDGEWATER AVIATION LLC with the following details for a total consideration of USD 19,750,000:

Manufacturer: Gulfstream Aerospace Corporation
Model: GV
Serial no: 674
Registration no: N36GV
Make and model of engines: Rolls Royce Tay 611-8
Engine serial nos: 11465 & 11464

The plane is registered with the US Federal Aviation Authority with a registration no.N36GV.

On 29 December 2014, the Company entered into an Aircraft Management Agreement with Executive Jet Management (Europe) Limited to manage the aircraft GV-674 and the same was terminated on 19 March 2015.

On 7 April 2015, the Company signed an aircraft management agreement with GAMA AVIATION FZE ("GAMA"), Sharjah Airport International Free Zone company, under No. 02-04- 06971 whose registered office is at Executive Suite, PO Box 122389, Sharjah, United Arab Emirates, to manage the aircraft GV-674. The terms and conditions for this agreement are detailed as follows:

Term: It is an open term agreement and all pricing are reviewable every 12 months.
Operational support provided by GAMA:

- Aircraft maintenance management, contract facilities, and maintenance support functions;
- Supervision of the operation of the aircraft;
- Liaison with flight authority or other applicable transport agency; and
- Arrange aircraft, passengers, and crew scheduling and travelling support services for the Company.

Operational Control: GAMA will have operational control over the aircraft.

Depreciation
The aircraft is recorded at cost less depreciation and provision for impairment, if any. Cost comprises the purchase price and any attributable cost of bringing the aircraft to its working condition for its intended use. Depreciation is computed on the straight line method, based on the useful life of the aircraft on 100% of the acquisition cost and with a zero residual value. Annual depreciation rates used is 12.5 % per annum.

Normal disbursements for repairs and maintenance are charged to the profit or loss and significant costs that improve the efficiency and extend the useful life of the aircraft, are capitalised.

Repairs and maintenance

The Company utilises the built-in overhaul method to account for the major maintenance of the aircraft. Under the built-in overhaul method, the cost of the initial major maintenance activity is recorded as a deferred charge and is amortised over a period of 8 years.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.
A financial liability is derecognised when it has extinguished, discharged, cancelled or expired.

Financial assets and financial liabilities are measured initially at fair value which is the value of consideration received or given plus transaction costs and subsequently at fair value or at amortised costs.
Financial instruments carried on the statement of financial position include other receivables, cash and cash equivalents, borrowings and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Disclosures about financial instruments to which the Company is a party are provided in note 13.

(i) Other receivables

Other receivables are initially recognised at cost and subsequently at its anticipated realisable value.

(ii) Cash and cash equivalents

Cash comprises of cash at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(iii) Other payables

Other payables are stated at their nominal value.

(iv) Borrowings

Borrowings having no fixed maturities are recognised at proceeds received net of transaction costs. They are subsequently measured at fair value of consideration received net of capital repayments.

(c) Equity

Stated capital represents the proceeds received and in consideration for which, ordinary shares were issued.

Retained earnings include all current and prior year's results as presented in the statement of profit or loss and other comprehensive income.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in United States dollar (USD), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are translated to the respective functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue recognition

Management fees and commission income are recognised on an accrual basis based on the relevant agreements entered with the parties.

Dividend income shall be recognised when Company's' right to receive payment is established.

Aircraft hire income is recognised based on the number of flying hours of the pilots times their hourly rate.

(f) Expense recognition

Expenses are recognised on an accrual basis in the year in which the services are received by the Company.

(g) Related parties

Related parties are individuals and companies where the individuals or companies have the ability directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions, or vice versa.

(h) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(i) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

5. SIGNIFICANT MANAGEMENT JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The following are the management's judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements. Critical estimation uncertainties are described in note 6.

Determination of functional currency

The determination of functional currency of the Company is critical since recording of transactions and exchange differences arising there are dependent on the functional currency selected. As described in note 4(d)(i), the directors have considered those factors therein and have determined that the functional currency of the Company is the United States dollar (USD).

Impairment of financial assets

Management assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be reliably estimated. There are no such indications of events having impact on future cash flows of the Company. Therefore, no impairment provision is required to be made by the Company.

Impairment of non-financial assets

The carrying amounts of the Company's non financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any indication exists, then the asset's recoverable amount is estimated.

5. SIGNIFICANT MANAGEMENT JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss.

Impairemet of Aircraft

RBSA Valuation Advisors LLP have been appointed by United Phosphorus Limited to carry out desktop valuation of Aircraft Gulf Stream GV serial number 674 with registration number N36 GV. The fair value of the aircraft has been estimated by comparing aircraft of identical make and was adjusted to potential profitability and adequate service potential of aircraft assets on the date of the valuation. Based on the valuation report, the fair value of the aircraft amounted to USD 11,463 thousand. Therefore, an impairment provision of USD 7,670 thousand has been recognised in the financial statements.

6. ESTIMATION UNCERTAINTY

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual result may differ from the judgements, estimates and assumptions made by management and will seldom equal the estimated results.

7. AIRCRAFT

	Equipment USD '000
COST:	
At 1 April 2016	19,750
Impairment	(7,670)
At 31 March 2017	12,080
ACCUMULATED DEPRECIATION:	
At 1 April 2016	3,086
Charge for the year	1,762
At 31 March 2017	4,848
NET BOOK VALUE:	
At 31 March 2017	7,232

	Equipment USD '000
COST:	
At 1 April 2015	19,750
At 31 March 2016	19,750
ACCUMULATED DEPRECIATION:	
At 1 April 2015	617
Charge for the year	2,469
At 31 March 2016	3,086
NET BOOK VALUE:	
At 31 March 2016	16,664

An impairment charge of USD 7,670 thousand was recognised for the year ended 31 March 2017, as the carrying value of the aircraft exceeds its fair value.

8. OTHER RECEIVABLES

	2017 USD '000	2016 USD '000
Current		
Receivable from UPL Limited – Gibraltar (note 14)	6,579	2,493

The advances were deposit for running and maintenance expenses incurred, on behalf of the Company. The current receivables are receivable within one year.

At 31 March 2017, no receivable was impaired or past due.

9. STATED CAPITAL

Issued and fully paid	2017& 2016 Number of shares	2017 & 2016 USD'000
Ordinary shares	0.001	0.001

The issued share capital of the Company comprises of 1 ordinary shares with a par value of USD 1 per share. These shares are entitled to voting rights and to dividends. The shareholders have various rights under the Company's Memorandum and Articles of Association, including the rights to income distributions subject to solvency test and other legal requirements. They are also required to attend and vote at meeting of shareholders.

10. BORROWINGS

	2017 USD '000	2016 USD '000
At 01 April	14,637	18,991
Movement during the year		
Repayment of loan	(6,112)	(8,715)
Funds received	3,511	4,361
At 31 March (note 14)	12,036	14,637

The Company entered into an uncommitted loan agreement with its related party, UPL Corporation Limited (formerly known as Bio-Win Corporation Limited) for funding its operations. The loan is unsecured, bears interest at the rate LIBOR 6 months plus 2.5% and is repayable after one year and before 5 years.

11. OTHER PAYABLES

	2017 USD '000	2016 USD '000
Accrued expenses	353	594
Interest on loan (note 14)	889	406
	1,242	1,000

The other payables are payable within one year.

12. TAXATION

UP Aviation Limited is incorporated in Cayman Island, jurisdiction that does not impose taxes on corporate income. Accordingly, no provision for income taxes has been made in the financial statements related to the operation of the Company.

13. FINANCIAL INSTRUMENTS

Fair values

The carrying amounts of other receivables, cash and cash equivalents, borrowings and other payables approximate their fair values.

Categories of financial statements:

	2017 USD' 000	2016 USD' 000
Financial assets		
Other receivables	6,579	2,493
Cash and cash equivalents	2	1
	6,581	2,494
Financial liabilities		
Borrowings	12,036	14,637
Other payables	1,242	1,000
	13,278	15,637

13. FINANCIAL INSTRUMENTS (CONTINUED)

Currency profile

The Company's financial assets and liabilities are denominated in USD.

	Fiancial assets 2017 USD'000	Financial liabilities 2017 USD'000	Fiancial assets 2016 USD'000	Fiancial liabilities 2016 USD'000
EURO	0.44	-	0.42	-
USD	6,581	13,278	2,494	15,637
	6,581	13,278	2,494	15,637

Risk and capital management

The Capital of the Company is primarily invested for the purpose of generating a return on the investment made by the shareholders. It is the Company's policy to finance its investments and any operating expenses from equity instruments. There were no changes in the Company's approach to capital management during the year.

The main risk arising from the Company's financial instruments are liquidity risk.

The Board of directors reviews and agrees policies for managing this risk is as follows:

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company has the continued financial support of its holding company in this process. Changes in liquidity risk will not have any material impact on the financial statements.

	Due 3-12 months USD'000	Due > 1 year USD'000	Total USD'000
Year ended 31 March 2017			
Interest bearing financial liability			
Borrowings	-	12,036	12,036
Non interest bearing financial liabiity			
Other payables	1,242	-	1,242
	1,242	12,036	13,278
Year ended 31 March 2016			
Interest bearing financial liability			
Borrowings	-	14,637	14,637
Non interest bearing financial liabiity			
Other payables	1,000	-	1,000
	1,000	14,637	15,637

13. FINANCIAL INSTRUMENTS (CONTINUED)

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Company owns an aircraft and the operational control over the aircraft is with GAMA. The relevant operational risks associated with the operation of the aircraft is controlled and managed by GAMA under the supervision of the Board.

Currency risk

The Company has financial assets which are denominated in Euro and the amount is immaterial. Consequently, the Company is not exposed to any significant currency risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect thefair value or future cash flows of the Company's financial instruments. The Company has interest bearing borrowings which carries a fixed rare of interest. As a result , the Company is therefore not subject to significant amounts of ris kdue to fluctuations in the prevailing levels of market interest rates.

Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Financial assets which potentially subjects the Company to concentrations of credit risk consist principally of cash and cash equivalents and other receivables. Cash and cash equivalents are held in a reputable financial institution. Accordingly, the Company has no significant concentration of credit risk. The maximum exposure to credit risk arising from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

	2017 USD' 000	2016 USD'000
Financial assets		
Other receivables	6,579	2,493
Cash and cash equivalents	2	1
	6,581	2,494

14. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2017, the Company transacted with related parties. The nature, volume and type of transactions with these related parties are as follows:

Name of related parties	Nature of transactions	31 March 2017 USD '000	31 March 2016 USD '000
Intermediate Holding company	Interest expense	483	551
Group company	Aircraft hire income	11,156	8,380

14. RELATED PARTY TRANSACTIONS

As at 31 March, the balances with related parties were as follows:

	2017 USD '000	2016 USD '000
Current		
Trade and other receivables (note 8)	6,579	2,493
Other payables (note 11)	889	406
Non-current		
Borrowings (note 10)	12,036	14,637

15. HOLDING AND ULTIMATE HOLDING COMPANIES

The directors consider UPL Limited, Mauritius, a company incorporated in Mauritius and UPL Limited, India, a company incorporated in India, as the holding and ultimate holding company.

16. INCOME

	2017 USD '000	2016 USD '000
Aircraft hire income	11,156	8,380

17. OPERATIONAL AND ADMINISTRATIVE EXPENSES

	2017 USD '000	2016 USD '000
Aircraft operational expenses	4,209	4,413
Audit fees	5	4
Other fees and charges	12	8
	4,226	4,425

18. FINANCE COSTS

	2017 USD '000	2016 USD '000
Bank charges	1	1
Exchange difference	-	30
Interest on loan	483	551
	484	582

19. FAIR VALUE MEASUREMENT

A number of assets and liabilities included in the Company's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs;

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the year they occur.

The following tables set out the fair values of assets and liabilities that are analysed by the level in the fair value hierarchy into which each fair value measurement is categorised:

	2017			
	Level 1	Level 2	Level 3	Total
	USD` 000	USD` 000	USD` 000	USD` 000
31 March 2017				
Assets				
Aircraft	-	-	7,232	7,232
Other receivables	-	-	6,579	6,579
Cash and cash equivalents	-	-	2	2
	-	-	13,813	13,813
Liabilities				
Borrowings	-	-	12,036	12,036
Other payables	-	-	1,242	1,242
	-	-	13,278	13,278

	2016			
	Level 1	Level 2	Level 3	Total
	USD` 000	USD` 000	USD` 000	USD` 000
31 March 2016				
Assets				
Aircraft	-	-	16,664	16,664
Other receivables	-	-	2,493	2,493
Cash and cash equivalents	-	-	1	1
	-	-	19,158	19,158
Liabilities				
Borrowing	-	-	14,637	14,637
Other payables	-	-	1,000	1,000
	-	-	15,637	15,637

The fair values of other receivables, cash and cash equivalents and other payables approximate their carrying values due to their short-term nature.

20. CAPITAL MANAGEMENT

Internally imposed capital requirements

The Company's objectives when managing capital are:

- to provide an adequate return to shareholders by pricing services commensurate with the level of risk;
- to comply with the capital requirements set out by the regulators;
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong asset base to support the development of business;

The Company's Board of directors reviews the capital structure on an annual basis. As part of this review the Board considers the cost of capital and the risks associated with the class of capital. Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital is calculated as 'equity' plus net debt. There has not been any change in the way the Company manages its capital.

Externally imposed capital requirements

The Company is not exposed to any externally imposed capital requirement.

21. EVENTS AFTER THE REPORTING PERIOD

There have been no material events after the reporting date which would require disclosure or adjustment to the financial statements for the year ended 31 March 2017.